

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAO PA 02171 011738Z

60

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 EB-24 INT-08 FEA-02 COME-00 TRSE-00 EA-11

EUR-25 OMB-01 DRC-01 /168 W
----- 086702

R 011530Z OCT 74

FM AMCONSUL SAO PAULO

TO SECSTATE WASHDC 5608

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

LIMITED OFFICIAL USE SAO PAULO 2171

E.O. 11652: N/A

TAGS: ECON, BR

SUBJECT: BRAZILIAN PRICE CONTROL CHIEF SEBASTIAO VITAL
DISCUSSES NEW PRICING SYSTEM

1. SUMMARY: IN MEETING WITH AMERICAN CHAMBER OFFICIALS ON SEPTEMBER 27, CONSELHO INTERMINISTERIAL DE PRECOS (CIP) EXECUTIVE SECRETARY SEBASTIAO MARCUS VITAL MADE IT CLEAR THAT HIS AGENCY IS NOT FREEING BRAZILIAN PRICES AS NEWSPAPER ARTICLES APPEARING THIS WEEK IMPLY, BUT RATHER INSTITUTING A SYSTEM BY WHICH QUALIFYING FIRMS CAN UTILIZE STREAMLINE PRICE CONTROL PROCEDURES. APPROVED FIRMS WILL BE ALLOWED TO INCREASE PRICES BEFORE OBTAINING APPROVAL FROM CIP, WHICH CAN TAKE ACTION AGAINST THE FIRMS IF IT DOES NOT FEEL PRICE INCREASE WAS WARRANTED. VITAL ALSO PREDICTED BRAZILIAN FUTURE GROWTH RATE WILL BE BELOW 10 PERCENT PROJECTED IN SECOND NATIONAL DEVELOPMENT PLAN, AND HINTED THAT GOB MAY PERMIT FOREIGN FIRMS TO TAKE PART IN INTERIOR PETROLEUM EXPLORATION. END SUMMARY.

2. SAO PAULO PRESS THIS WEEK CONTINUES TO REPORT THAT ANNOUNCEMENT MADE BY CIP ON SEPTEMBER 26 OF ESTABLISHMENT OF A SYSTEM OF SUPERVISED

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAO PA 02171 011738Z

PRICE LIBERATION ("REGIME DE LIBERDADE VIGIADA") BEGINNING IN

NOVEMBER IS TANTAMOUNT TO THE REMOVAL OF PRICE CONTROLS. VITAL, ON THE DAY FOLLOWING THE ANNOUNCEMENT, MET WITH A SELECT GROUP OF AMERICAN

CHAMBER OF COMMERCE OFFICERS AND TOLD US THAT THIS IS NOT AT ALL THE CASE. PRICE CONTROLS WILL CONTINUE TO BE A WAY OF LIFE IN BRAZIL AND THEY WILL BE ENFORCED BY CIP. VITAL EXPLAINED THAT THE NEW SYSTEM WILL SIMPLY ALLOW CERTAIN FIRMS TO QUALIFY TO INCREASE PRICES AT THE TIME THEY NORMALLY FILE A REQUEST WITH CIP FOR THE INCREASE. CIP FOR ITS PART EXPECTS QUALIFYING FIRMS TO ACT RESPONSIBLY AND TO SUBSTANTIATE WITH SOLID FACTS AND FIGURES THE NEED FOR THE INCREASE. IF CIP SHOULD SUBSEQUENTLY DECIDE THAT THE INCREASE WAS EXCESSIVE AND NOT JUSTIFIED, THE FIRM WILL BE RETURNED TO THE PRESENT PRICE CONTROL SYSTEM AND/OR CIP COULD RESTRICT BANK CREDIT OF "OFFENDING" FIRMS OR IMPOSE FINES.

3. THE NEW SYSTEM WILL INITIALLY EMBRACE ONLY HOME APPLIANCES, STARTING IN NOVEMBER. CIP WILL ACCEPT SUBSEQUENT APPLICATIONS, LARGELY FROM CONSUMER GOODS PRODUCERS. THE CIP WOULD LIKE THESE APPLICATIONS TO COME, FOR ADMINISTRATIVE CONVENIENCE, FROM EITHER INDUSTRIAL ASSOCIATIONS OR CLEARLY DEFINED INDUSTRIAL GROUPS. VITAL SAID THAT AUTOS AND TRUCKS WOULD "PROBABLY" BE BROUGHT WITHIN THE SYSTEM LATER, AND THAT TRACTORS "MAY BE". ASKED IF BASIC MATERIALS SUCH AS CEMENT, STEEL, PETROLEUM, CHEMICALS, AND PLASTICS WILL BE PERMITTED "SUPERVISED LIBERATION", HE REPLIED, "NO CHANCE*" THE SAME APPLIES TO PHARMACEUTICALS, ALTHOUGH COSMETICS AND PERSONAL HYGIENE PRODUCTS MIGHT "FREED".

4. WHAT EMERGED FROM VITAL'S DESCRIPTION OF THE "REGIME DE LIBERDADE VIGIADA" WAS A PICTURE OF A CONTROL MECHANISM PERHAPS MORE STREAMLINED AND MORE EFFICIENT THAN THE PRESENT SYSTEM WHEREBY COMPANIES FILE REQUESTS FOR PRICE INCREASES AND THEN WAIT UP TO FORTY-FIVE DAYS FOR A REPLY, BUT NONETHELESS A SYSTEM OF CONTROLS EVERY BIT AS STRINGENT IN ITS REQUIREMENTS AS THE PRESENT ONE, WITH THE ADDED POSSIBILITY OF "PUNISHMENT" BY CIP IF THE PRICE INCREASE IS CONSIDERED INADEQUATE. VITAL MADE IT CLEAR THAT CIP INTENDS TO HAVE THE LAST WORD ON PRICING AND IN DETERMINING PERMISSABLE PROFIT MARGINS FOR INDUSTRIES AT EACH STAGE FROM THE PRODUCTION OF PRIMARY GOODS TO THE CONSUMER.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAO PA 02171 011738Z

5. WHILE CIP WILL STILL KEEP A FIRM GRIP ON PRICES, MOST AMERICAN BUSINESSMEN HEARING VITAL'S EXPLANATION AGREED THAT THE NEW PROCEDURE WILL BE AN IMPROVEMENT, APPARENTLY BECAUSE THEY BELIEVE THEY WILL BE ABLE TO SATISFY CIP THAT THEIR FUTURE PRICE INCREASES ARE JUSTIFIED. THOSE WHO QUALIFY WILL NO LONGER HAVE TO WAIT UP TO A MONTH AND A HALF BUT RATHER OPERATE UNDER NEW PRICES IMMEDIATELY.

6. REGARDING BRAZILIAN GROWTH RATE, VITAL OPINED THAT THIS YEAR AND NEXT THEY WILL FALL SHORT OF THE 10 PERCENT PROJECTED IN THE SECOND NATIONAL DEVELOPMENT PLAN. HE SAID HE PERSONALLY FEELS IT WILL BE "BETWEEN 6 AND 9 PERCENT", AND OBSERVED THAT "EIGHT PERCENT WOULD BE EXCELLENT PERFORMANCE".

7. REFERRING TO BRAZILIAN PETROLEUM PRODUCTION, HE PREDICTED SUBSTANTIAL INCREASES. WITHOUT CONFIRMING THEM, HE POINTEDLY MENTIONED ARTICLES APPEARING RECENTLY IN BRAZILIAN PRESS REPORTING THAT FOREIGN OIL COMPANIES WILL SOON BE PERMITTED TO SHARE IN OIL EXPLORATION IN BRAZILIAN INTERIOR.

8. IN SPITE OF PETROLEUM RELATED PROBLEMS, VITAL SAID HE WAS OPTIMISTIC ABOUT THE FUTURE, DECLARING THAT BRAZIL IS IN A BETTER POSITION THAN MOST, INCLUDING JAPAN, FRANCE, ITALY, AND GREAT BRITAIN.

9. AIRGRAM SUMMARIZING VITAL'S EXTENDED REMARKS WILL FOLLOW.
CHAPIN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, PRICE CONTROLS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SAOPA02171
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740277-0528
From: SAO PAULO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741083/aaaacssh.tel
Line Count: 134
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2002 by boyleja>; APPROVED <03 MAR 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRAZILIAN PRICE CONTROL CHIEF SEBASTIAO VITAL DISCUSSES NEW PRICING SYSTEM
TAGS: ECON, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005